

10014

**LAKE FOREST ELEMENTARY  
CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA**

Audit of Financial Statements

June 30, 2007 and 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/10/07

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## **Independent Auditor's Report**

To the Board of Directors  
Lake Forest Elementary Charter School  
New Orleans, Louisiana

We have audited the accompanying statement of financial position of Lake Forest Elementary Charter School (the School), a nonprofit organization, as of June 30, 2007, and the related statements of activities and cash flows for the year then ended and for the period from inception (April 2006) to June 30, 2006. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Forest Elementary Charter School as of June 30, 2007, and the results of its operations and its cash flows for the year then ended and for the initial period ended June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

An audit was performed for the purpose of forming an opinion on the financial statements of Lake Forest Elementary Charter School. The accompanying supplemental information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied to the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 27, 2007, on our consideration of Lake Forest Elementary Charter School's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Lehite, Leht, Long & Neal*

A Professional Accounting Corporation

August 27, 2007

LAKE FOREST ELEMENTARY CHARTER SCHOOL  
 NEW ORLEANS, LOUISIANA  
 Statement of Financial Position  
 June 30, 2007

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**Assets**

**Current Assets**

Cash and Cash Equivalents	\$ 953,377
Grants Receivable	215,540

<b>Total Current Assets</b>	<u>1,168,917</u>
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**Property and Equipment**

Furniture and Equipment	25,950
Leasehold Improvements	11,025

<b>Total at Cost</b>	36,975
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Less: Accumulated Depreciation	<u>(2,674)</u>
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<b>Net Property and Equipment</b>	<u>34,301</u>
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<b>Total Assets</b>	<u><u>\$ 1,203,218</u></u>
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**Liabilities and Net Assets**

**Current Liabilities**

Accounts Payable	\$ 6,126
Accrued Retirement Liabilities	5,935
Deferred Revenue	56,250

<b>Total Liabilities</b>	<u>68,311</u>
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**Net Assets**

Unrestricted	<u>1,134,907</u>
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<b>Total Net Assets</b>	<u>1,134,907</u>
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<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,203,218</u></u>
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The accompanying notes are an integral part of these financial statements.

**LAKE FOREST ELEMENTARY CHARTER SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Statements of Activities**  
**For the Year Ended June 30, 2007 and Period Ended June 30, 2006**

	<b>Unrestricted 2007</b>	<b>Unrestricted 2006</b>
<b>Revenue, Grants and Other Support</b>		
State Public School Funding	\$ 2,512,353	\$ 114,036
Federal Grants	445,680	22,706
Donations	33,599	98,738
Other Income	198,033	6,200
<b>Total Revenue, Grants and Other Support</b>	<b>3,189,665</b>	<b>241,680</b>
<b>Expenses</b>		
Program Services		
Regular Education Programs	1,088,364	71,050
Special Education Programs	47,967	-
Other Instructional Programs	135,751	34
Special Programs	81,559	-
Support Services		
Pupil Support Services	77,890	-
School Administration	280,156	53,340
Business Services	126,116	6,038
Operation and Maintenance of Plant	238,661	6,529
Instructional Staff Support	63,367	650
Depreciation	2,674	-
Fundraising	16,292	-
<b>Total Expenses</b>	<b>2,158,797</b>	<b>137,641</b>
<b>Change in Net Assets</b>	<b>1,030,868</b>	<b>104,039</b>
<b>Net Assets, Beginning of Period</b>	<b>104,039</b>	<b>-</b>
<b>Net Assets, End of Period</b>	<b>\$ 1,134,907</b>	<b>\$ 104,039</b>

The accompanying notes are an integral part of these financial statements.

**LAKE FOREST ELEMENTARY CHARTER SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2007 and Period Ended June 30, 2006**

	2007	2006
<b>Cash Flows Provided by Operating Activities</b>		
Change in Net Assets	\$ 1,030,868	\$ 104,039
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	2,674	-
(Increase) in Grants Receivable	(192,834)	(22,706)
Decrease (Increase) in Prepaid Expenses	2,860	(2,860)
Increase in Accounts Payable	6,116	10
(Decrease) Increase in Accrued Retirement Liabilities	(9,816)	15,751
Increase in Deferred Revenue	56,250	-
<b>Net Cash Provided by Operating Activities</b>	<b>896,118</b>	<b>94,234</b>
<b>Cash Flows Used in Investing Activities</b>		
Purchase of Fixed Assets	(36,975)	-
<b>Net Cash Used in Investing Activities</b>	<b>(36,975)</b>	<b>-</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>859,143</b>	<b>94,234</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>94,234</b>	<b>-</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 953,377</b>	<b>\$ 94,234</b>

The accompanying notes are an integral part of these financial statements.

**LAKE FOREST ELEMENTARY CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

Lake Forest Elementary Charter School (the School) was organized as a non-profit corporation under the laws of the State of Louisiana on March 14, 2006. The School entered into a Charter School Contract with the Orleans Parish School Board beginning January 6, 2006, whereby the School would operate a Type III charter school as defined in LSA R.S. 17:3971, et. seq. The charter was granted for a minimum of five years. The School serves eligible students in pre-kindergarten through eighth grade in Orleans Parish.

The formation of the School was in response to the devastation left by Hurricane Katrina. Accordingly, the State of Louisiana Recovery School District is allowing the School to operate in the building formerly used by the Frances Gaudet Elementary School (a school of the Orleans Parish School Board) rent free under a lease renewable annually.

A summary of the School's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Financial Statement Presentation**

The School follows the guidance of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the School is required to present a statement of cash flows.

The School also follows the guidance of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor imposed time or purpose restrictions.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. All significant receivables, payables, and other liabilities are reflected.

**Comparative Financial Information**

The School began operations in April, 2006 and the financial information for the period ended June 30, 2006 is presented for the three month period since inception.

**Revenues**

The School's primary source of funding is through the State Public School Fund and the Orleans Parish School Board. The School receives \$3,686 from the State and \$3,301 from the School Board per eligible student in attendance on October 1<sup>st</sup>, payable in monthly installments. The State's portion is passed through the School Board. State and Federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses occur.

**LAKE FOREST ELEMENTARY CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Grants Receivable**

The school received various State and Federal grants as part of their start-up funding. The grants are on a reimbursement basis and grants receivable at year end are stated at unpaid balances for expenditures incurred during the periods.

**Property and Equipment**

All acquisitions of property and equipment in excess of \$500 and betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Property and equipment are recorded at historical cost or estimated historical cost if historical cost is not available. Normal building maintenance and minor equipment purchases are included as expenses of the School.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Depreciation expense totaled \$2,674 for the year ended June 30, 2007. The following are the estimated useful lives of the assets of the School:

	<u>Useful Lives</u>
Leasehold Improvements	10 Years
Furniture and Equipment	5-7 Years

**Income Taxes**

The School is recognized by the Internal Revenue Service as a Section 501(c)(3) tax-exempt organization.

**Statement of Cash Flows**

For purposes of the Statement of Cash Flows, the School considers all liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Concentrations**

The School received 79% and 47% of its revenues from the Orleans Parish School Board for the periods ended June 30, 2007 and 2006, respectively, subject to its charter school contract, and 14% and 9% of its funding from Federal sources passed through the School Board, for the periods ended June 30, 2007 and 2006, respectively.

Financial instruments that potentially subject the School to concentrations of credit risk consist of cash in excess of federally insured limits of \$860,495.

**LAKE FOREST ELEMENTARY CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 2. Cash and Cash Equivalents**

As of June 30, 2007 and 2006, the carrying value of cash consisted of demand deposits in a local bank of \$953,377 and \$94,234, respectively.

**Note 3. Grants Receivable**

As of June 30, 2007 and 2006, grants receivable consist of amounts due from the following sources:

	<u>2007</u>	<u>2006</u>
Charter School Grants (CFDA #84.282A)	\$ 200,000	\$ 22,706
Hurricane Relief Grants (CFDA #84.938A)	<u>15,540</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 215,540</u></b>	<b><u>\$ 22,706</u></b>

**Note 4. Retirement Plans**

Substantially all employees of the School are members of the Teachers' Retirement System of Louisiana or the Louisiana School Employees' Retirement System. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to the plan follows:

**Teachers' Retirement System of Louisiana (TRS)**

**Plan Description**

The TRS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit are required to become vested for retirement benefits, and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRS. That report may be obtained by writing to the Teachers Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123.

**Funding Policy**

Plan members are required to contribute 8% of their annual covered salary. The School is required to contribute at an actuarially determined rate. The current rate is 15.8% of annual eligible covered payroll for the year ended June 30, 2007 and was 15.9% for the period ended June 30, 2006. Member contributions and employer contributions for the TRS are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contribution to the plan for the year ended June 30, 2007 and 2006, was \$176,787 and \$10,656, respectively, which is equal to the required contribution for the year.

**LAKE FOREST ELEMENTARY CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA**

**Notes to Financial Statements**

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**Note 4. Retirement Plans (Continued)**

**Louisiana School Employees' Retirement System (LSERS)**

**Plan Description**

The LSERS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits, and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The LSERS issues a publicly available financial report that includes financial statements and required supplementary information for the LSERS. That report may be obtained by writing to the Louisiana School Employees' Retirement System, P.O. Box 44516, Baton Rouge, Louisiana 70804, or by calling (225) 925-6484.

**Funding Policy**

Plan members are required to contribute 7.5% of their annual covered salary. The School is required to contribute at an actuarially determined rate. The current rate is 19.6% of annual covered salary for the year ended June 30, 2007. The School did not have any eligible members during the period ended June 30, 2006. Member contributions and employer contributions for the LSERS are established by state law, and rates are established by the Public Retirement Systems' Actuarial Committee. The School's contribution to the plan for the year ended June 30, 2007, was \$4,292, which is equal to the required contribution for the year.

**SCHEDULES REQUIRED BY LOUISIANA STATE LAW  
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**



**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors  
Lake Forest Elementary Charter School  
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Lake Forest Elementary Charter School and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of Lake Forest Elementary Charter School and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. This agreed-upon procedures engagement was performed in accordance with standards established by the *American Institute of Certified Public Accountants and Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings that relate to the accompanying schedules of supplemental information are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
  - Total General Fund Instructional Expenditures
  - Total General Fund Equipment Expenditures
  - Total Local Taxation Revenue
  - Total Local Earnings on Investment in Real Property
  - Total State Revenue in Lieu of Taxes
  - Nonpublic Textbook Revenue
  - Nonpublic Transportation Revenue

**Findings:**

During our test of transactions, we noted several disbursements for which the vendor invoice could not be found. However, we performed alternative procedures to determine that the expenses were properly recorded.

#### Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-Time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to School supporting payroll records as of October 1st.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-Time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced each of the teachers to the individual's personnel file to determine if the individual's education level was properly classified on the schedule.

#### Findings:

None

#### Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

#### Findings:

None

#### Experience of Public Principals and Full-Time Classroom Teachers (Schedule 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

#### Findings:

None

#### Public Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced each to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

#### Findings:

None

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Findings:

None

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

Findings:

None

Louisiana Educational Assessment Program (LEAP) for the 21st Century (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by Lake Forest Elementary Charter School.

Findings:

None

The Graduation Exit Exam for the 21st Century (Schedule 8)

11. Not applicable.

The ILEAP Tests (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by Lake Forest Elementary Charter School.

Findings:

None

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Lake Forest Elementary Charter School, the Orleans Parish School Board, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

August 27, 2007

**LAKE FOREST ELEMENTARY CHARTER SCHOOL**  
**Schedules Required by State Law**  
**(R.S. 24:514 - Performance and Statistical Data)**  
**As of and for the Year Ended June 30, 2007**

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**Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources**

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and non-public textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

**Schedule 2 - Education Levels of Public School Staff**

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph.D or Ed.D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 3 - Number and Type of Public Schools**

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 4 - Experience of Public Principals and Full-Time Classroom Teachers**

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 5 - Public School Staff Data**

This schedule includes average classroom teachers' salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 6 - Class Size Characteristics**

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students.

**Schedule 7 - Louisiana Educational Assessment Program (LEAP) for the 21<sup>st</sup> Century**

This schedule represents student performance testing data and includes summary scores by district for grade 4 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory.

**Schedule 8 - The Graduation Exit Exam for the 21<sup>st</sup> Century**

Not applicable.

**Schedule 9 - The ILEAP Tests**

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, 7 and 9 for each district. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the state. This schedule includes one period of data.

LAKE FOREST ELEMENTARY CHARTER SCHOOL  
 NEW ORLEANS, LOUISIANA  
 General Fund Instructional and Support Expenditures  
 and Certain Local Revenue Sources  
 For the Year Ended June 30, 2007 and Period Ended June 30, 2006

	2007	2006
<b>General Fund Instructional and Equipment Expenditures</b>		
<b>General Fund Instructional Expenditures</b>		
<b>Teacher and Student Interaction Activities</b>		
Classroom Teacher Salaries	\$ 821,794	\$ 51,629
Other Instructional Salaries	111,209	-
Employee Benefits	219,136	8,252
Instructional Materials and Supplies	38,580	11,169
Other Teacher/Student Interaction Activities	27,171	-
<b>Total Teacher and Student Interaction Activities</b>	<b>\$ 1,217,890</b>	<b>\$ 71,050</b>
Other Instructional Activities	135,751	-
Pupil Support Activities	77,890	-
Less: Equipment for Pupil Support Activities	-	-
<b>Net Pupil Support Activities</b>	<b>77,890</b>	<b>-</b>
Instructional Staff Services	63,367	650
Less: Equipment for Instructional Staff Services	-	-
<b>Net Instructional Staff Services</b>	<b>63,367</b>	<b>650</b>
<b>Total General Fund Instructional Expenditures</b>	<b>1,494,898</b>	<b>71,700</b>
<b>Total General Fund Equipment Expenditures</b>	<b>\$ 36,975</b>	<b>\$ -</b>
<b>Certain Local Revenue Sources</b>		
<b>Local Taxation Revenue</b>		
Constitutional Ad Valorem Taxes	\$ -	\$ -
Renewable Ad Valorem Tax	-	-
Debt Service Ad Valorem Tax	-	-
Up to 1% of Collections by the Sheriff on Taxes	-	-
Other than School Taxes	-	-
Sales and Use Taxes	-	-
<b>Total Local Taxation Revenue</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Local Earnings on Investment in Real Property</b>		
Earnings from 18th Section Property	\$ -	\$ -
Earnings from Other Real Property	-	-
<b>Total Local Earnings on Investment in Real Property</b>	<b>\$ -</b>	<b>\$ -</b>
<b>State Revenue in Lieu of Taxes</b>		
Revenue Sharing - Constitutional Tax	\$ -	\$ -
Revenue Sharing - Other Taxes	-	-
Revenue Sharing - Excess Portion	-	-
Other Revenue in Lieu of Taxes	-	-
<b>Total State Revenue in Lieu of Taxes</b>	<b>\$ -</b>	<b>\$ -</b>
Nonpublic Textbook Revenue	\$ -	\$ -
Nonpublic Transportation Revenue	\$ -	\$ -

LAKE FOREST ELEMENTARY CHARTER SCHOOL  
 NEW ORLEANS, LOUISIANA  
 Education Levels of Public School Staff  
 As of October 2, 2006

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelors Degree								
Bachelors Degree	18	83.33%						
Masters Degree	7	16.67%			1	100.00%		
Masters Degree + 30								
Specialist in Education								
Ph. D. or Ed. D.								
<b>Total</b>	<b>25</b>	<b>100.00%</b>	<b>0</b>	<b>0.00%</b>	<b>1</b>	<b>100.00%</b>	<b>0</b>	<b>0.00%</b>

**Schedule 3**

**LAKE FOREST ELEMENTARY CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA  
Number and Type of Public Schools  
For the Year Ended June 30, 2007**

Type	Number
Elementary	1
Middle/Jr. High	0
Secondary	0
Combination	0
Total	1

**LAKE FOREST ELEMENTARY CHARTER SCHOOL****NEW ORLEANS, LOUISIANA****Experience of Public Principals and Full-Time Classroom Teachers****As of October 2, 2006**

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals								0
Principals							1	1
Classroom Teachers	2	0	7	2	4	5	5	25
Total	2	0	7	2	4	5	6	26

**LAKE FOREST ELEMENTARY CHARTER SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Public School Staff Data**  
**For the Year Ended June 30, 2007**

	<b>All Classroom Teachers</b>	<b>Classroom Teachers Excluding ROTC and Rehired Retirees</b>
<b>Average Classroom Teachers' Salary Including Extra Compensation</b>	\$41,541	\$41,541
<b>Average Classroom Teachers' Salary Excluding Extra Compensation</b>	\$41,126	\$41,126
<b>Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries</b>	23.75	23.75

**LAKE FOREST ELEMENTARY CHARTER SCHOOL**  
**NEW ORLEANS, LOUISIANA**  
**Class Size Characteristics**  
**As of October 2, 2006**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Combination	100%	22	0%	0	0%	0	0%	0
Combination Activity Classes	0%	0	0%	0	0%	0	0%	0

LAKE FOREST ELEMENTARY CHARTER SCHOOL  
 NEW ORLEANS, LOUISIANA  
 Louisiana Educational Assessment Program (LEAP)  
 For the 21<sup>ST</sup> Century  
 For the Year Ended June 30, 2007

District Achievement Level Results	English Language Arts						Mathematics					
	2007		2006		2005		2007		2006		2005	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 4</b>												
Advanced	5	13%	N/A		N/A		0	0%	N/A		N/A	
Mastery	14	37%	N/A		N/A		10	26%	N/A		N/A	
Basic	18	47%	N/A		N/A		25	66%	N/A		N/A	
Approaching Basic	1	3%	N/A		N/A		3	8%	N/A		N/A	
Unsatisfactory	0	0%	N/A		N/A		0	0%	N/A		N/A	
<b>Total</b>	<b>38</b>	<b>100%</b>	<b>N/A</b>		<b>N/A</b>		<b>38</b>	<b>100%</b>	<b>N/A</b>		<b>N/A</b>	

District Achievement Level Results	Science						Social Studies					
	2007		2006		2005		2007		2006		2005	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 8</b>												
Advanced	N/A		N/A		N/A		N/A		N/A		N/A	
Mastery	N/A		N/A		N/A		N/A		N/A		N/A	
Basic	N/A		N/A		N/A		N/A		N/A		N/A	
Approaching Basic	N/A		N/A		N/A		N/A		N/A		N/A	
Unsatisfactory	N/A		N/A		N/A		N/A		N/A		N/A	
<b>Total</b>	<b>N/A</b>		<b>N/A</b>		<b>N/A</b>		<b>N/A</b>		<b>N/A</b>		<b>N/A</b>	

**Schedule 8**

**LAKE FOREST ELEMENTARY CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA  
The Graduation Exit Exam for the 21st Century  
For the Year Ended June 30, 2007**

This schedule does not apply to Lake Forest Elementary Charter School as the school only had grades K-7th during the audit period.

**Schedule 9**

**LAKE FOREST ELEMENTARY CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA  
The ILEAP Tests  
For the Year Ended June 30, 2007**

	<b>Composite 2007</b>
<b>Test of Basic Skills (ITBS)</b>	
Grade 3	65%
Grade 5	66%
Grade 6	75%
Grade 7	62%

**LAKE FOREST ELEMENTARY CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA  
Schedule of Board of Directors  
June 30, 2007**

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<u>BOARD MEMBERS</u>	<u>COMPENSATION</u>
Mr. G. Lee Caston, President/Treasurer 22124 Nolan Road Covington, LA 70435 (985) 264-0182	\$-0-
Ms. Windi D. Brown, Advisory Director 4007 St. Charles Ave., Apt 308 New Orleans, LA 70115 (504) 915-9696	\$-0-
Ms. Denise Williams, Secretary 5217 Citrus Blvd., Apt R-132 River Ridge, LA 70123 (504) 42-9706	\$-0-
Mr. Donald Pate 516 Beau Chen Drive Mandeville, LA 70471 (504) 710-6518	\$-0-
Mrs. Gina Dupart 6652 Manchester Road New Orleans, LA 70126 (504) 710-6518	\$-0-
Mrs. Leila Eames 7901 Read Blvd. New Orleans, LA 70127 (504) 259-7956	\$-0-
Mr. Noble Garner 4758 Arthur Drive New Orleans, LA 70127 (504) 247-6727	\$-0-
Ms. Maryalice Jordan 15941 Number 77 Street, Suite 1 Scottsdale, AZ 85260 (602) 293-6809	\$-0-
Mr. Norman Robinson 324 Delaronde Street New Orleans, LA 70114 (504) 650-0875	\$-0-



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Lake Forest Elementary Charter School  
New Orleans, Louisiana

We have audited the financial statements of Lake Forest Elementary Charter School (a nonprofit corporation) as of and for the periods ended June 30, 2007 and 2006, and have issued our report thereon dated August 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Lake Forest Elementary Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses, identified as 2007-1 and 2007-2, to be significant deficiencies in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

We noted certain matters that we reported to management of Lake Forest Elementary Charter School's in a separate letter dated August 27, 2007.

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the School's response and, accordingly, we express no opinion on it.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lake Forest Elementary Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, the Louisiana Legislative Auditor, the Louisiana Department of Education, and the Orleans Parish School Board and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

August 27, 2007

**LAKE FOREST ELEMENTARY CHARTER SCHOOL  
NEW ORLEANS, LOUISIANA  
Schedule of Findings and Responses  
June 30, 2007**

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2007-1      Timely Cash Reconciliations

Cash reconciliations were not prepared timely during the fiscal year under audit.

An important internal control is the reconciliation of the School's cash accounts. These reconciliations should be performed timely to be effective and should be reviewed by a supervisor unrelated to cash collection procedures. The reconciliations are a process to ensure the funds in the bank agree or can be reconciled back to the financial records (what you have is what you should have).

Management's Response

The previous business manager who has been terminated did not make timely cash reconciliations. All cash deposits are now made within 24-48 hours.

2007-2      Documentation for Disbursements

During our test of disbursements, we noted several checks that were not supported by invoices or other supporting documentation.

The School should have retained adequate documentation to support expenditures made from school funds. This documentation not only provides accountability, but also ensures all expenditures were properly authorized and recorded in the School's financial records.

Management's Response

The disbursements not supported by invoices were the responsibility of the previous business manager. The present business manager has done an excellent job ensuring all disbursements are supported by invoices and approved check requests. An effective system is presently in place.



To the Board of Directors  
of Lake Forest Elementary Charter School  
New Orleans, Louisiana

We have audited the financial statements of Lake Forest Elementary Charter School (the School) as of and for the periods ended June 30, 2007 and 2006, and have issued our report thereon dated August 27, 2007, which expresses an unqualified opinion on the fair presentation of the financial statements. We have also issued our report dated August 27, 2007 on internal control over financial reporting and on compliance and other matters based on our audits in accordance with Government Auditing Standards, which identifies certain deficiencies in the School's internal control we consider to be significant deficiencies. Those reports are an integral part of the audit and our communication to the School's management.

In addition, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning other matters that came to our attention in connection with our audit of the financial statements of the School for the year ended June 30, 2007. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the School's practices and procedures.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

August 27, 2007

**LAPORTE SEHRT ROMIG HAND**

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## MEMORANDUM

### Revenue & Expense Classification:

When presenting financial information it is important to separate sources of revenue and the related expenditures in a manner that gives the user of your financial statements enough information to understand the nature of these items and to comply with the presentation requirements under generally accepted accounting principles.

We recommend the following sources of revenues be identified and recorded separately within your trial balance:

- Funding from State / Local grants
- Funding from Federal grants
- Fundraising revenues
- Eagle Care revenues
- Member contributions to the PTSO
- Student support contributions
- Donations – gifts from outside sources
- Meeting / Training reimbursements received

We further recommend the separation of expenditures related to fundraising and Eagle Care from other operating general ledger accounts. It would be best to setup new accounts similar to "Fundraising expenses" and "Eagle Care expenses" to capture these amounts.

### Salaries & Related Benefits:

For the proper presentation of salaries and related benefits, amounts should be separated by personnel classification (i.e. Instructional, Administrative, and Custodial). The related taxes, insurance, and retirement benefits should also be broken out in the same manner.

We recommend that all personnel be assigned to the appropriate department within the payroll journal to make recording these amounts simpler. Paychex, Inc. has these capabilities and can assist you. These expenses should be recorded to the general ledger based on these classifications for each payroll. Salaries expense should be recorded to the appropriate salary account and the same for payroll taxes and insurance.

We further recommend the deductions for retirement benefits and the employer's contributions towards retirement be recorded for each payroll into a liability account similar to "retirement contributions payable". This will track the amounts owed for both the employee and employer portion of these contributions and they can be reconciled to the monthly contributions reports submitted to TRSL. It will also accurately report any liabilities owed at the end of each period.

### **Donations of Cash, Services or Goods:**

Donations and public support is important to any non-profit organization, therefore, it is important to have procedures in place to be able to identify and track donations whether they are in cash or other forms. We recommend establishing a procedure to identify the amount of donated services or goods to be able to determine which (if any) are required to be recorded within the financial statements. We also recommend a system to track monetary contributions by donor. Peachtree has capabilities to assist with this process.

### **Revenue Recognition:**

Under generally accepted accounting principles, revenue should not be recognized until it's earned. We recommend that a procedure be established and put in place that would identify which revenues were earned and which were not during the period. Revenues which were earned in the period, but not collected would result in a receivable balance at year end as well as any collections made which have not been earned would result in a deferred revenue at year end.

### **Fundraising Activities:**

Fundraising activities are required to be disclosed within the financial statements. Along with the recording of the revenues and expenses we recommended previously, we further recommend that supporting documentation be kept regarding these activities. This support should detail the nature of the activity, any sources of revenues, and expenses related to each activity. These documents also serve as a good management tool to determine profit related to the activity and consideration to continue or expand the activity.

### **Recording of Receipts and Disbursements:**

During our review of your general ledger, we identified that receipts and disbursements were being entered into the accounting software without identifying reference numbers and did not appear to reflect the actual transaction date. We recommend that disbursements be recorded using the check number and the actual transaction date (date check was written). Deposits should also have a reference that can be used to identify it, either numerical sequence or reference to supporting documents. They should also be recorded using the transaction date (date deposit was made). This will provide assistance in the cash reconciliation process.

### **Debit Card Policies:**

Certain purchases made by the School were paid through the use of a debit card, which provides access to the general fund checking account. Although debit cards have purchase and cash withdrawal maximums they do not have the same security that credit cards have, such as unauthorized use. We suggest management look into a cash management policy that would eliminate the use of the debit cards and allow for the most efficient use of the School's resources.

**Lake Forest Elementary Charter School**

12000 Hayne Boulevard  
New Orleans, Louisiana 70128  
(504) 824-7092 • FAX (504) 248-7020

Mardale S. Early  
Principal

Leonard M. Parker, Jr.  
Assistant Principal

**Internal Control Management Plan**

**Timely Cash Reconciliations** - Cash reconciliations were not prepared timely during the fiscal year under audit.

**Management's Response** - The previous business manager who has been terminated did not make timely cash reconciliations. All cash deposits are now made within 24-48 hours.

**Documentation for Disbursements** - Several disbursements were not supported by invoices or other supporting documentation.

**Management's Response** - The disbursements not supported by invoices were the responsibility of the previous business manager. The present business manager has done an excellent job ensuring all disbursements are supported by invoices and approved check requests. An effective system is presently in place.

**Revenue & Expense Classification** - Ensure revenues and expenses are broken out by the appropriate function and object classifications with the general ledger.

**Management's Response** - Using our new financial software program, our revenues and expenses are now broken out by the appropriate function and object classifications within the general ledger. The business manager and the financial chairperson of our Board of Directors have aligned our function and object classifications with the state's annual financial report classifications.

**Donations of Cash, Services or Goods** - Develop procedures to be able to identify and track donations whether they are in cash or other forms to ensure accurate recording of revenues.

**Management's Response** - The principal has always maintained a file of all donations of cash, services, and goods. A classification for donations has been established within our general ledger.

**Revenue Recognition** - Establish procedures that would identify which revenues were earned and which were not during the period to ensure revenues, receivables and any deferred revenues are accurately reported.

**Management's Response** - The Financial Chairperson of our Board of Directors and Business Manager have established classifications that identify within the school's ledger those revenues, receivables and any deferred revenues.

**Fundraising Activities** - Establish procedures to track fundraising revenues and expenses and record them according to reporting standards in the financial records.

**Management's Response** - Business Manager has established a new procedure which tracks all fundraising revenues and expenses. The previous business manager's procedure for tracking fundraisers was ineffective.

**Recording of Receipts and Disbursements** - Include identifying reference numbers in the general ledger when recording transactions.

**Management's Response** - All recorded transactions are accompanied by an identifying reference number.

Debit Card Policies - Establish purchasing procedures that eliminate the use of debit cards which have access to the operating checking account.

Management's Response - The use of the debit card for purchases was terminated in December 2006.

If there are any questions regarding this plan, please call Ms. Mardele Early at (504) 324-7092.

Sincerely yours,

*Mardele L. Early*